Cereals, Beef and Sheep
Outlook 2013

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Outlook 2013
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Overview

- Cereals
  - Winter Wheat
  - Spring Barley
- Beef
  - Single Suckling
  - Cattle Finishing
- Sheep
  - Mid-season Lowland Lamb

2012 Estimates
2013 Forecasts
  - Costs of Production
  - Gross Output

All figures presented on a per hectare basis

Fuller detail in accompanying papers
Available at www.agresearch.teagasc.ie/erc/

Cereals enterprises

Total Production Costs
2011, 2012 and 2013
Costs of Production

- 2011 Teagasc NFS data
- 2012 – Input expenditure estimates
  - Seeds ~ up 7%
  - Fertiliser ~ up 7%
  - Energy & Contractors ~ up 10%
  - Crop protection ~ no change
  - Other Ag inputs ~ up 1%

- 2013 – Input Expenditure Forecast
  - Seeds ~ up 10
  - Fertiliser ~ up 5%
  - Energy & Contractors ~ unchanged
  - Crop protection ~ unchanged
  - Other Ag Inputs ~ up 1%

Direct Costs Spring Barley and Winter Wheat: 2012 Estimates
Direct Costs Spring Barley and Winter Wheat: 2013 Estimates

Gross Output

Barley and Wheat Prices

Prices estimated + 20%
Winter Wheat and Spring Barley Yields: Estimates and Forecasts

Gross Output 2012: Spring Barley and Winter Wheat
Conclusions

- Very poor harvest 2012 output impact offset somewhat by higher prices
- Relative stable direct costs of production for 2012 and 2013
- Price outlook for 2013 as ever is very uncertain we are forecasting that barley prices in 2013 will fall 10% and that Wheat prices will be stable at 2012 levels
- Return to three year average yields should lead to growth in output value for Winter Wheat and a marginal reduction in output value per hectare for spring barley
Cattle and Sheep

• Decoupled payments are not part of enterprise gross output
• Coupled payments are part of enterprise gross output
  – Suckler Cow Welfare scheme
  – Sheep Grassland Scheme
• In forecasts changes as announced in Budget 2013 have been incorporated in so far as possible
• Beef enterprises are particularly heterogeneous – here we focus on dominant cattle rearing and cattle finishing enterprises
• Sheep enterprise analysed is the dominant lowland enterprise

Cattle and Sheep enterprises

Total Production Costs
2011, 2012 and 2013
Enterprise Direct Costs of Production

Single Suckling

Cattle Finishing

Mid-season Lowland Lamb

- Concentrates
- Pasture and Forage Costs
- Other Direct Costs

Costs of Production 2012
Cattle and Sheep Enterprises

- Purchased feed (concentrates)
  - Both prices and volumes higher in 2012, expenditure up close to 20% on cattle and sheep enterprises
- Pasture and forage
  - Increases in fertiliser prices and contracting costs in 2012 offset by lower volumes spread – expenditure up 3% to 4%
- Other direct costs
  - Small increase in price (1%)
- Energy and fuel
  - 9% increase in price and no change in use
- Labour
  - 1% increase
- Other Overhead costs
  - 1% increase estimated for 2012
Enterprise Direct Costs of Production 2011 and 2012

- Single Suckling 2011
- Single Suckling 2012
- Cattle Finishers 2011
- Cattle Finishers 2012
- Lowland Lamb 2011
- Lowland Lamb 2012

Source: 2011 Teagasc NFS, 2012 Estimate

Costs of Production 2013
Cattle and Sheep Enterprises

- Purchased feed (concentrates)
  - Prices higher in 2013 (+7%) but lower use
  - Expenditure 4% to 5% lower on cattle and sheep enterprises

- Pasture and forage
  - Increases in fertiliser prices & volumes used partially offset by stable contracting costs in 2013 – expenditure up 9%

- Other direct costs
  - Small increase in price forecast

- Energy and fuel
- Labour
  - 1% increase
- Other Overhead costs
  - 1% increase estimated for 2013
Enterprise Direct Costs of Production 2012 and 2013

Source: 2011 Teagasc NFS, 2012 Estimate

Gross Output
2011, 2012 and 2013
Cattle and Sheep Prices
2012 and 2013

• Contrasting market price developments in EU sheep and cattle markets
• 2012 Cattle prices up strongly on 2011 prices at all points in the cattle supply chain
• Finished cattle, weanling and store prices all up over 10% year on year
  – Timing of sales important as YoY differential has narrowed through year
• Lamb prices on average 5% lower in 2012 than in 2011
  – March – June prices especially

Cattle Prices
EU beef supply contracting more than domestic use in 2012 driving up EU prices Supported by supply shortage on international beef market keeping prices high

Source: DG Agri
**EU Cow Numbers**

<table>
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<th>Year</th>
<th>Dairy Cows</th>
<th>Suckler Cows</th>
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<td>2012</td>
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Source: Eurostat, 2012* FAPRI-Ireland

**Irish Beef Exports to the EU 2012**

- UK: 52%
- France: 19%
- Italy: 9%
- Netherlands: 9%
- Other EU: 11%

Source: Eurostat
Cattle Prices 2011 and 2012

- 2011 has seen a considerable increase in Irish cattle prices
- Supply Factors
  - Tightening cattle supplies within Ireland
  - Declining cow numbers within the EU
- Demand Factors
  - Strong demand for beef globally in 2011
  - Increased EU exports to third countries
Irish Beef Exports to the EU 2012

Source: Eurostat

Cattle Prices Outlook 2013

- Ongoing EU supply contraction forecast to be matched by contraction in demand due to eurozone and UK recession
  - Even weaker demand would lead to falling prices
- Cattle prices forecast to remain stable at 2012 levels
- Import barriers and improved world prices restrict inflow of beef from S America
- EU macroeconomic problems major threat to beef demand and beef prices in 2013
Irish Lamb Price, 1995 – 2012

Irish Lamb price 5% lower than in 2011

Volume of Irish Lamb Exports 2012

Source: DG AGRI & Bord Bia

15% France
7% UK
5% Belgium
26% Germany
47% Other EU

Source: Eurostat
Sheep Price Outlook

• Relatively high prices and falling incomes still leading EU demand to contract
  – Some evidence Irish demand grew in 2012
• In 2013 simultaneous falls in EU supply & demand expected to more in balance
• Imports from NZ not expected to recover strongly despite growing NZ exports
  – Growth in China and reorientation towards Asia
• EU and Irish sheep prices forecast to be stable at close to 2012 price levels
• Macroeconomic downturn in Eurozone and UK major risk factor for 2013

Policy Changes

• National policy as it relates to the cattle and sheep sectors modified as a result of Budget 2013
• Coupled supports to farmers farming suckler cows and sheep reduced for 2013
• Effective subsidy per cow estimated to have reduced by 50% and subsidy per ewe by 22%
• In context of stable output price forecast causes some reduction in gross output per hectare
Gross Output by System

Cattle Price improvements outweigh input costs inflation to return estimated improvement in gross output

Lower lamb prices and increasing costs Reduce margins

Source: 2011 NFS, 2012 Estimate

Gross Output by System

Stable Prices leave gross output largely unchanged
Value per cow of Suckler Cow Payment reduces Single Suckling Gross output

Reduced Sheep Grassland payment reduces output on sheep farms

Source: 2012 Estimate, 2013 Forecast
Conclusions

• Strong increase in Feed costs in 2012 on Cattle and Sheep enterprises
• Contrasting output price and gross output in 2012
  – Cattle strong growth while Lamb prices fell
• Cost of production outlook for 2013 stable
• 2013 price outlook for cattle and sheep is stable
  – Major threat of weaker demand due to chance of deeper UK and eurozone recessions

Thank – You

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